



April 7, 1998

The Honorable John M. McHugh  
Chairman  
House Subcommittee on the Postal Service  
Committee on Government Reform & Oversight  
B349-C Rayburn House Office Building  
Washington, D.C. 205 15

Dear Chairman McHugh:

The National Newspaper Association appreciates the opportunity to comment on your revision to H.R. 22, the Postal Reform Act of 1997. NNA's comments are intended to echo the comments submitted by other groups representing small mailers of the United States Postal Service as we witness large mail users seeking treatment not reflected in the goals originally envisioned by Congress for the Postal Service. NNA also supports the comments submitted by the Main Street Coalition for Postal Fairness of which NNA is a member

The National Newspaper Association is the national voice of community newspapers. It was established in 1885 to promote, protect and enhance community newspapers. NNA represents nearly 4,000 newspapers, primarily comprised of weekly and daily newspaper with a local community editorial and advertising focus. NNA members rely heavily upon the Periodicals class of mail with a particular reliance on the preferred rate subclass of within county mail for distribution. NNA members are also users of other classes of mail, including Standard A mail and First Class mail.

These comments are written generally regarding the revision to H.R. 22 due to the lack of specific legislative language. NNA seeks a further opportunity to review and comment on specific legislative language once the language is published. We commend you on your willingness to tackle this important issue. We additionally commend your excellent staff for their assistance and guidance throughout this process.

At the outset, the revision states that the goal of reform is "to enhance and improve postal service in our country," a very important objective. However, other goals in the revision

**National Newspaper Association**

1525 Wilson Boulevard ■ Suite 550 ■ Arlington, VA 22209-2434

Tel: 703.907.7901 ■ Fax: 703.907.7901 ■ 800.829.4NNA ■ E-Mail : [TheNNA@aol.com](mailto:TheNNA@aol.com) ■ Website: <http://www.nna.org>



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seek to allow the Postal Service further flexibility to survive in the future due to new technological achievements by private business that may hobble the Postal Service in the future by diverting mail volume.

NNA questions the need for a Postal Service if other private technologies replace functions of the agency and reduces demand. Is there a need to retain an obsolete government service in the future if private enterprise replaces it? However, it is clear that the core mission of the Postal Service, providing "universal service" to all citizens is a uniquely important function of the agency that will continue to need strong regulatory scrutiny and congressional oversight. Your revision is certainly moving in that direction. NNA supports those changes in the revision to H.R. 22 that strengthens regulatory oversight, increases accountability for the Postal Service, focuses the Postal Service on its core mission of delivering the mail, and protects low rates for our members.

NNA additionally offers the following specific comments on the revision:

Postal Regulatory Commission--NNA supports a strengthened Postal Rate Commission and welcomes your change to a "Postal Regulatory Commission," with subpoena authority and other powers essential to a strong independent regulatory oversight of the United States Postal Service and as it applies to the proposed private law corporation. (Sections 603, 103 of the Revision) This is a very important element of the revision. NNA believes improving the checks and balances for the Postal Service will lead to an open regulatory process and will help to ensure Postal Service accountability as it faces future challenges.

With regards to the powers of the Postal Regulatory Commission and the first case after the new law is in effect as set forth in the revision, it is not clear whether the Postal Rate Commission or the strengthened Postal Regulatory Commission would be in place before the new system is incorporated. We seek clarification on this point. (Revision Section 1001.)

Rates—The portion discussing phased-in rates mentions nonprofit organizations and should include all in the category of "preferred rate" status (Revision, Section 503) including within county Periodical publications. Additionally, we concur with the suggestions of the Alliance of Nonprofit Mailers and their proposed language regarding the structure of preferred rate subclasses as retaining the current percentage of the most closely corresponding regular-rate category. (39 U.S.C. section 3626)

We wish to underscore concerns with the revision rate cap as opening new possibilities for higher rates and further flexibility initiated by the Postal Service due to the rate band provisions. As exemplified by the current rate proceeding underway at the moment, it is



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very clear that the Postal Service would be hard pressed in future instances of financial success to resist the temptation for increases.

We concur with views expressed that the rate "bands" would lead to an escalation of rates for some, while allowing favored treatment for others, leaving smaller customers no choice but additional costly regulatory procedures. We believe such banding provisions are unnecessary and do not add to, but rather detract from the goals enunciated for the price cap itself.

Volume Discounts-NNA is very concerned with the possibility, although tempered in this revision, for volume discounting for the favored few that can reach the level of volume that the Postal Service seeks. Although the revision provides for volume discounts only in the competitive rate category, we are categorically opposed to the introduction of volume discounting into the rate setting process as unjustified.

Additionally, although the revision states a volume-based discount would be available to any class of mail, NNA fears that only the largest mailers would benefit without paying for the cost of providing the service.

NNA has additional concerns governing accountability when one mail user is offered a special deal based on negotiated rates by a federal agency rather than through an open, public rate setting process. This could lead to discriminatory practices and favoritism in the provision of services by the Postal Service leaving other users of the mail stream at the bottom of the heap.

Use of profits-The profit provisions in the price-cap setting for non-competitive services seem to provide managerial incentives only for raising rates to increase profits, and allow management bonuses to go up without examining the possibility of lowering rates. But we strongly favor the revision language allowing for the use of profits to lower rates for the affected class of mail due to noncompliance such as when service standards are unmet and look forward to seeing the language. (Subsection 3783, annual audit process.)

Independence of the new private company-The section states directly that a new corporation would be established as a "vehicle to allow the Postal Service to engage in strategic alliances in or with private companies, and to offer non postal products." We strongly support the recognition that the Postal Service should not directly engage in non-postal products, but question the need for an entity whose shares are owned by the Postal Service.



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The need for such an entity deserves further discussion and study, particularly for those industries most affected by such a new quasi-governmental corporation. The revision language seems contradictory since it allows for the establishment of such a corporation that is also not deemed to be part of the Postal Service although it is intended, as stated above, to allow the Postal Service to engage in new alliances and to offer new non-postal products.

Service Standards-The revision adds a new section for the quantification and definition of "universal service." Within the proposal, a section is devoted to establishing service standards. NNA assumes the new standards would include delivery standards for each mail class, NNA would support stringent delivery standards especially due to this last year of poor delivery in Periodicals delivery for newspapers travelling outside local counties. We fear the Postal Service's unique challenge in its involvement as a distraction from delivering the mail that exists.

The revision mentions a lengthy proceeding before the Postal Regulatory Commission setting new standards and quantifying "universal service," then obtaining approval from both Houses of Congress. We fear that such a protracted determination may not be the optimal approach to establish service standards since it would not address a crisis that is facing publishers across the country today. We are also reluctant to favor a quantification of "universal service," since this points to economic goals rather than important public policy considerations for rural and urban areas.

Judicial Review. Antitrust Law Applicability: NNA strongly supports the provisions in the revision that provides for judicial review of Board pricing decisions for non-competitive rates, as well as the extension of antitrust laws to this arena as essential improvements to ensure fairness and accountability.

Additional Suggestions: NNA offers the following two suggestions as additions to the revision that would go a long way in assisting small users of the mail stream.

First: adding a statute of limitations on Postal Service audits of three years. Currently, the Postal Service can review records without any limitation and can assess large revenue deficiencies totaling thousands of dollars based on information that is outdated. Providing for a time limitation would go a very long way in eliminating a significant burden and fear factor for small publishers reliant on the Postal Service.

Second: strengthening 39 U.S.C. section 403 c) with sanctions by tying it to the annual audit process in the revision to prevent favorable treatment of one class of mail user where harm can be demonstrated. We continue to be concerned with actions by the Postal Service that favor one class of mail over others in Postal Service promotions, advertisements and other activity.



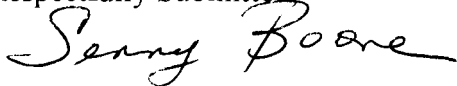
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Above all, NNA supports a strong U.S. Postal Service focused on its core delivery mission.

NNA appreciates the opportunity to provide these comments as the process moves forward and we offer our assistance in drafting legislative language.

NNA members continue to express their concerns over the future direction of the Postal Service-a key agency for community newspapers nationwide. We look forward to working with you and the other members of the Subcommittee to secure its future success. Thank you in advance for your time and consideration.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Senny Boone".

Xenia "Senny" Boone, Esq.  
Director, NNA Government Relations

CC:

Representative Chaka Fattah, Ranking Member  
Representative Danny Davis  
Representative Benjamin Gilman  
Representative Steven LaTourette  
Representative Major Owens  
Representative Mark Sanford  
Representative Pete Sessions